

**Western Area Power Administration
Operations Consolidation Project – Informal Customer Meetings
May 20-22, 2009 – RMR, DSW & CRSP**

Note: The intent of this document is to record the exchange of information as noted during the OCP Informal Customer Meetings. Further explanation of these and other issues identified through the comment period (ending June 22, 2009) will be forthcoming.

STAFFING

Question:

On the table titled “Staffing Comparisons Option Matrix” explain the definition of Option A – Existing Structure and Option B – Existing plus Regulatory Staff?

Response:

Existing Structure is defined as remaining status quo without adding staff to address future compliance requirements. Existing plus Regulatory Staff represents Western’s staffing projections for meeting future NERC/FERC/WECC compliance requirements.

Question:

With regard to Option B on the staffing table, there are 14 FTE identified as an increase to Option A. Of the 14, what specific functional positions are including in this increase?

Response:

Of the identified positions necessary within the 14 FTE total increase when comparing Options A and B, the specific functional units are:

Transmission planning – 2

Transmission business unit – 2

Project Management Support- 2

Operations – 8 total including;

- Dispatchers
- Trainers
- Tech staff for documentation
- Real-time analysis

Isn’t transmission planning trust work?

Response:

Western does a lot of trust work but not all transmission planning is considered trust work.

Question:

Why does DWS get one less dispatch desk?

Response:

Savings are from one less Transmission Scheduling and Security desk in DSW through efficiencies with backing each other up and common tools.

Question:

How much trust work is done by Federal staff compared to contractors?

Response:

We don't have those numbers off hand. Western will take this back as an action item and get specific numbers. In DSW with approximately 50 operations staff, 12 are funded by customers. We need to have Federal staff to manage inherently government requirements, but other work is trust funded.

Question:

When you talk about transmission planning, does that include trust work?

Response:

Yes, but it's separated out.

Question:

Are these the real numbers asked about earlier?

Response:

Yes.

Question:

When you say that everyone will report to the same region, is that Option D?

Response:

No, it's Option C – operations consolidation with separate balancing authorities.

Question:

Are the additional 10 FTE between Option A and C going to be doing paperwork to track compliance requirements?

Response:

Yes, that will be included in the duties of additional staff in response to future requirements.

Question:

Will the decisions to be made under this type of approach be made by the RMR Regional Manager replacement?

Response:

This transition should remain fairly transparent and not impact decision making processes affecting DSW. A Transmission planning function will remain physically at DSW.

Question:

If staff are not physically moving will there be reductions in place eventually?

Response:

In the long term there should be additional efficiencies gained. Western doesn't anticipate any type of reduction in force. Eventually there could be some loss through attrition if any future reductions need to take place but that depends on long-term needs and requirements. In the reorganization analysis performed to date, everyone has a job in their present location. In fact, there will be more jobs to fill considering compliance requirements and meeting additional complex functional needs. For example, there is a completely new project management group proposed within the transmission services function. Bottom line, everyone crosswalks to a job and then additional gaps will need to be filled. Future opportunities will be looked at regarding efficiencies gained and resources required as Western migrates to a fully functional end-state operations consolidation.

Question:

With efficiencies gained through common IT and SCADA tools wouldn't you expect a reduction in overall IT/SCADA staff?

Response:

No, not an overall reduction. The reduction in SCADA staff from 18 to 16 FTE between both Options A and B compared to Options C and D is anticipated because of efficiencies gained to

support one common SCADA system. On the IT side there's going to be a transfer of support requirements that will require an increase of approximately 1.5 FTE. When combined IT and SCADA support, considering both RMR and DSW needs, it's essentially the same FTE for all Options, i.e. no net gain or net reduction.

CAPITAL/COST

Question:

For what purpose would other projects pick up communication cost?

Response:

To support the backbone communication system between regions to back each other up.

Question:

Does the RMR Regional Manager charge their time to DSW? Why should RMR be burdened w/ costs associated with costs associated with activities in DSW?

Response:

A small portion will be. The Regional Manager's time is allocated based on where the reporting staff charge their time, so a minor share will be allocated to DSW.

Question:

Fair and equitable with labor and other cost right?

Response:

Yes

Question:

Where can we find the dollar cost of each of the four comparison options? Where are the real numbers associated with each?

Response:

Documentation and spreadsheets with projected costs and anticipated cost avoidance were provided to customers in April 2008. Western can post these documents again along with the posting of these comments. An external web site is being developed and Western will post these documents as an action item from these customer meetings. In an effort to assure that the projected staff estimates were still required based on being approximately one year closer to knowing future needs the Option C FTE numbers have been recently validated.

Question:

Under the rules "to determine and publish current costs," were the costs determined and published? Was that put out a year or so ago? If the current costs experienced are available, customers want that information.

Response:

We do have costs for 2008 and previous years included in the presentation.

Question:

Is there a cost shift under the SCADA-point allocation? What happens to DSW, does that go down, or up?

Response:

DSW goes down, but this method was ruled out as a first tier allocation. Regardless of the number of SCADA points, the same number of people are needed in each region at similar desks. (The allocation between the regions is 38% DSW and 62% RMR.)

Question:

Where will you get the money to implement the plan? In one year? Will there be a significant spike in cost of service?

Response:

Once the plan is identified and cost is more definite, it will be included to the Ten-Year plan. (Some of those costs were already added into the 10-year plan for RMR.). There is still a key. If costs are to be capitalized, where would you get the funds? Would they be amortized?

Response:

The costs will be capitalized. Funding will come from prepayments or appropriations. (The costs will be either depreciated or amortized depending on the asset.)

Question:

The only allocations of costs represented today are labor and equipment?

Response:

Yes, but mainly labor.

Question:

Where in this activity are you going to enumerate the benefits? Alternate control centers?

Response:

Yes, there are benefits by eliminating the alternate control center costs and other savings such as using common tools.

Question:

The benefits you're talking about, are there any numbers to the overall savings?

Response:

The primary benefits are cost avoidance. Additional cost savings will be identified as we progress.

Question:

If you're going to use the five year average as a cost allocator, is there any true-up? You've said there will be re-examination on ongoing basis. If you're going to make an adjustment in terms of what people are paying, it's going to go into our rates and projects, then you'd do a post-hoc analysis and adjustment. Logic would be to develop a formula going forward and have true up mechanisms to avoid cost shifts. Look at reality afterward and make adjustments and then not have cost shifts.

Response:

We are trying to provide an allocation method to start for the first year or two. Then relook at SCADA generation and other measureable items. If not after five years it will be just an average of an average spread to all power systems.

Question:

You've shown us a chart and said that if we use the five year average, here are the numbers. If we use actual, here are the numbers. And that the numbers are the same. If you use the five year average you cannot come up with real numbers and make a comparison. If you use real numbers afterward, you will not have cost shifts. You can go back after the fact and reconcile and can make adjustments to avoid cost shifts.

Response:

Based on historical 5-year, the percentages will not change. The average will become the next year's actuals.

Question:

Mathematically that doesn't work. Any time you use a five year rolling average, each year shows an aberration. The years will not all be same. Costs will change. You will have cost shifts in any year that isn't right on the average. Charge people based on what the actual was, you can fix -- you can true up each year. If using averages, you're asking us to absorb cost shifts based on the fact that over time everything will even out. With a true up, one region would not subsidize the other. We would not fight with each other or with Western. Which we will because this is money. With a true up there would be no cost shifts and no fighting.

Response:

I'm not sure how one would perform a true up. Our data will be re-evaluated periodically. This is a starting point. (Currently using SCADA points is the primary allocation within the regions Operation's costs and the 5-year average continues to reflect that point. Cost that can be direct charged are but tracking Operation's costs in 10-minute increments or hourly is not truly feasible.)

Question:

Are the Individual Power Producers (IPPs) costs included in that operations line and included the allocations? Those are different than your usual statutory projects. Should those be treated more like a trust kind of thing? They can go away a lot easier than BC or CAP.

Response:

Yes the IPP's are included in the operations line. If those customers no longer want those services, the cost still stays within the region but gets split up between the other customers. It's a benefit. The people that are still working the desk have time to do this work, and it's a benefit to do this type of contract to lower the overall cost.

Question:

It would depend on the nature of the contract if those are 30 days out, they may be a little different than a longer term commitment.

Response:

Our contracts that we are associated with could go away or they may stay forever. Each contract has a different termination clause.

Question:

Did you look at a scenario where you had the majority paid for by whatever power system it is in and then go to the 2nd tier of allocation? That first power system is picking up the share of that too. Did you look at whether you take that out of the next level of allocations?

Response:

Yes. CRSP in this example would get a share in the second tier. (CRSP gets a benefit from the OCP and as such should get a share of the OCP allocated costs.)

Question:

Could you post what the current transmission line miles and SCADA point allocators are between the offices, and among the projects?

Response: Western re-evaluates those every June of every year and spends the time to make sure those are accurate and then utilize those starting in October. Otherwise we could have a year delay and use data from prior year current allocations. It might be more appropriate to use a June 30th deadline, to be more accurate. We'll look at that next month and could post that information. .

LABOR

Question

Will the coordinating committee be looking into functions, finance, or general leadership?

Response:

The Steering Committee will be looking at all of those considerations, but today's presentation focuses on finance and cost allocation methodology.

Question

There is a distinction between function analysis and procedure analysis. Will Western be performing both?

Response:

Western continues to look at both.

Question

What happens in January 2010?

Response:

Western will develop the components for follow-on projects including; technical requirements, scope statements, schedule milestones, cost estimates and risk analysis factors and summarize these components into a comprehensive implementation plan targeted for January 2010.

Reorganization is targeted for October 1, 2009.

Question

Where within the timeline does the proposal plan look at CRSP balancing authority rework?

Response:

The CRSP balancing authority issue is not part of the scope of work for operations consolidation. It is yet to be determined if any or all of the CRSP balancing authority reconfiguration will be incorporated within operations consolidation. Once a decision is made on reconfiguration compatible components that need to be considered for inclusion in the operations consolidation program will be addressed.

Question

CREDA is interested in having the CRSP balancing authority issue included in the scope of work being prepared for OCP changes.

Response:

Western will take that information into consideration in moving forward with operations consolidation.

Question:

In this restructuring internally, will that have any effect on existing customer relations such as the Joint Planning Agreement (JPA) with Parker-Davis or with Hoover remarketing?

Response:

The transition should not affect those relations and the customers can expect the same kind of service they currently have including local points of contact.

Question:

The fundamental plan is to move some of the functions from Phoenix to Loveland. Just reporting functions? Why not move from Loveland to Phoenix? Why not consolidate in Phoenix. Was it considered to move to Phoenix instead of Loveland?

Response:

Not physically move functions but have a common reporting to a single Regional Manager. This common management of systems will work more efficiently. It also eliminates duplication of effort. The options were reviewed last year regarding where the functional reporting for

operations consolidation would result in optimal efficiencies. Western Senior Managers decided to go with Loveland. Both locations were considered for space, expertise, and maintenance.

Question:

On the Technical Coordination Committee will they involve the users of Glen and CRSP for our needs also?

Response:

The Technical Coordination Committee will expand their analysis to bring in external users such as the Bureau of Reclamation representatives for input as they develop the technical requirements for the follow-on projects. Brent Sessions is the Chair of the Technical Coordination Committee and he's the SCADA manager at DSW.

Question:

Has the committee working on this been privy to the issues that were raised about 9 years ago about SCADA allocations?

Response:

Western's operations consolidation program manager has reviewed lessons learned on the previous operations consolidation that occurred in the mid- to late-1990's and this same manager was involved with transformation implementation that oversaw that consolidation. Western will continue to assess the SCADA allocation analysis to either avoid or address any previous concerns.

Question:

Do you envision changes in how you handle Glen Canyon ? Would you still be reporting to Phoenix? How I understand it, Phoenix communicates with RMR with issues on Glen.

Response:

As we are currently configured on two separate balancing authorities, WACM & WALC, those practices as we engage them today will continue forward.

Question:

If BA was to change, that's when we would see our procedures in our operations change, not necessarily in this operations consolidation?

Response:

That's right. It should be transparent to the world under operations consolidation as currently postulated. Now, if or when CRSP reconfiguration comes into the picture, then it changes the dynamics with regard to CRSP.

Question:

Have you thought about new system additions thru borrowing authority stimulus stuff? Are those facilities going to get factored into the SCADA points, and transmission line miles too?

Response:

Only those additions that a project brings into its whole system.

Question:

Would it then be based on whether the existing Federal project has a share in the capacity?

Response:

Correct.

FOLLOW-ON PROJECTS

Question:

Is the CRSP Reconfiguration part of a follow-on project?

Response:

No, CRSP balancing authority reconfiguration is yet to be determined. Based on the final decision, specific segments or the entire reconfiguration could be considered to be added to the scope of work for operations consolidation. If the final decision supports that approach then the technical aspects of the within scope reconfiguration would be added as a follow-on project

Question:

What kind of comfort can you provide that this method can avoid failures experienced in the past with other initiatives such as a common accounting system? How will a common SCADA system work given the regional nature?

Response:

With appropriate planning between both regional offices well before implementation, including a sound technical analysis and coordination with all stakeholders Western can bridge potential gaps leading to successful implementation of a common SCADA system.